

104TH CONGRESS
1ST Session

H. R. 1691

AN ACT

To provide for innovative approaches for homeownership opportunity and provide for the temporary extension of the rural rental housing program, and for other purposes.

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To provide for innovative approaches for homeownership opportunity and provide for the temporary extension of the rural rental housing program, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Homesteading and
3 Neighborhood Restoration Act of 1995”.

4 **SEC. 2. ASSISTANCE FOR HABITAT FOR HUMANITY AND**
5 **OTHER SELF-HELP HOUSING PROVIDERS.**

6 (a) GRANT AUTHORITY.—The Secretary of Housing
7 and Urban Development shall, to the extent amounts are
8 available to carry out this section and the requirements
9 of this section are met, make grants for use in accordance
10 with this section to—

11 (1) Habitat for Humanity International, whose
12 organizational headquarters are located in Americus,
13 Georgia; and

14 (2) other national or regional organizations or
15 consortia that have experience in providing or facili-
16 tating self-help housing homeownership opportuni-
17 ties.

18 (b) GOALS AND ACCOUNTABILITY.—In making
19 grants under this section, the Secretary shall take such
20 actions as may be necessary to ensure that—

21 (1) assistance provided under this section is
22 used to facilitate and encourage innovative home-
23 ownership opportunities through the provision of
24 self-help housing, under which the homeowner con-
25 tributes a significant amount of sweat equity toward
26 the construction of the new dwelling;

1 (2) assistance provided under this section for
2 land acquisition and infrastructure development re-
3 sults in the development of not less than 5,000 new
4 dwellings;

5 (3) the dwellings constructed in connection with
6 assistance provided under this section are quality
7 dwellings that comply with local building and safety
8 codes and standards and are available at prices
9 below the prevailing market prices;

10 (4) the provision of assistance under this sec-
11 tion establishes and fosters a partnership between
12 the Federal Government and Habitat for Humanity
13 International, its affiliates, and other organizations
14 and consortia, resulting in efficient development of
15 affordable housing with minimal Governmental inter-
16 vention, limited Governmental regulation, and sig-
17 nificant involvement by private entities;

18 (5) activities to develop housing assisted pursu-
19 ant to this section involve community participation
20 similar to the homeownership program carried out
21 by Habitat for Humanity International, in which
22 volunteers assist in the construction of dwellings;
23 and

24 (6) dwellings are developed in connection with
25 assistance under this section on a geographically di-

1 verse basis, which includes areas having high hous-
2 ing costs, rural areas, and areas underserved by
3 other homeownership opportunities that are popu-
4 lated by low-income families unable to otherwise af-
5 ford housing.

6 If, at any time, the Secretary determines that the goals
7 under this subsection cannot be met by providing assist-
8 ance in accordance with the terms of this section, the Sec-
9 retary shall immediately notify the applicable Committees
10 in writing of such determination and any proposed
11 changes for such goals or this section.

12 (c) ALLOCATION.—Of any amounts available for
13 grants under this section—

14 (1) 50 percent shall be used for a grant to the
15 organization specified in subsection (a)(1); and

16 (2) 50 percent shall be used for grants to orga-
17 nizations and consortia under subsection (a)(2).

18 (d) USE.—

19 (1) PURPOSE.—Amounts from grants made
20 under this section shall be used only for eligible ex-
21 penses in connection with developing new decent,
22 safe, and sanitary nonluxury dwellings in the United
23 States for families and persons who otherwise would
24 be unable to afford to purchase a dwelling.

(2) ELIGIBLE EXPENSES.—For purposes of paragraph (1), the term “eligible expenses” means costs only for the following activities:

(A) LAND ACQUISITION.—Acquiring land (including financing and closing costs).

(B) INFRASTRUCTURE IMPROVEMENT.—Installing, extending, constructing, rehabilitating, or otherwise improving utilities and other infrastructure.

Such term does not include any costs for the rehabilitation, improvement, or construction of dwellings.

(e) ESTABLISHMENT OF GRANT FUND.—

(1) IN GENERAL.—Any amounts from any grant made under this section shall be deposited by the grantee organization or consortium in a fund that is established by such organization or consortium for such amounts, administered by such organization or consortium, and available for use only for the purposes under subsection (d). Any interest, fees, or other earnings of the fund shall be deposited in the fund and shall be considered grant amounts for purposes of this section.

(2) ASSISTANCE TO HABITAT FOR HUMANITY AFFILIATES.—Habitat for Humanity International may use amounts in the fund established for such

1 organization pursuant to paragraph (1) for the pur-
2 poses under subsection (d) by providing assistance
3 from the fund to local affiliates of such organization.

4 (f) REQUIREMENTS FOR ASSISTANCE TO OTHER OR-
5 GANIZATIONS.—The Secretary may make a grant to an
6 organization or consortium under subsection (a)(2) only
7 pursuant to—

8 (1) an expression of interest by such organiza-
9 tion or consortia to the Secretary for a grant for
10 such purposes;

11 (2) a determination by the Secretary that the
12 organization or consortia has the capability and has
13 obtained financial commitments (or has the capacity
14 to obtain financial commitments) necessary to—

15 (A) develop not less than 30 dwellings in
16 connection with the grant amounts; and

17 (B) otherwise comply with a grant agree-
18 ment under subsection (i); and

19 (3) a grant agreement entered into under sub-
20 section (i).

21 (g) TREATMENT OF UNUSED AMOUNTS.—Upon the
22 expiration of the 6-month period beginning upon the Sec-
23 retary first providing notice of the availability of amounts
24 for grants under subsection (a)(2), the Secretary shall de-
25 termine whether the amount remaining from the aggre-

1 gate amount reserved under subsection (c)(2) exceeds the
2 amount needed to provide funding in connection with any
3 expressions of interest under subsection (f)(1) made by
4 such date that are likely to result in grant agreements
5 under subsection (i). If the Secretary determines that such
6 excess amounts remain, the Secretary shall provide the ex-
7 cess amounts to Habitat for Humanity International by
8 making a grant to such organization in accordance with
9 this section.

10 (h) GEOGRAPHICAL DIVERSITY.—In using grant
11 amounts provided under subsection (a)(1), Habitat for
12 Humanity International shall ensure that the amounts are
13 used in a manner that results in national geographic diver-
14 sity among housing developed using such amounts. In
15 making grants under subsection (a)(2), the Secretary shall
16 ensure that grants are provided and grant amounts are
17 used in a manner that results in national geographic diver-
18 sity among housing developed using grant amounts under
19 this section.

20 (i) GRANT AGREEMENT.—A grant under this section
21 shall be made only pursuant to a grant agreement entered
22 into by the Secretary and the organization or consortia
23 receiving the grant, which shall—

24 (1) require such organization or consortia to
25 use grant amounts only as provided in this section;

1 (2) provide for the organization or consortia to
2 develop a specific and reasonable number of dwell-
3 ings using the grant amounts, which number shall
4 be established taking into consideration costs and
5 economic conditions in the areas in which the dwell-
6 ings will be developed, but in no case shall be less
7 than 30;

8 (3) require the organization or consortia to use
9 the grant amounts in a manner that leverages other
10 sources of funding (other than grants under this sec-
11 tion), including private or public funds, in developing
12 the dwellings;

13 (4) require the organization or consortia to
14 comply with the other provisions of this section;

15 (5) provide that if the organization or consortia
16 has not used any grant amounts within 24 months
17 after such amounts are first disbursed to the organi-
18 zation or consortia, the Secretary shall recapture
19 such unused amounts; and

20 (6) contain such other terms as the Secretary
21 may require to provide for compliance with sub-
22 section (b) and the requirements of this section.

23 (j) GRANT PAYMENTS.—

24 (1) 1-STEP DISBURSEMENT.—With respect to
25 any grant under subsection (a)(2) in an amount less

1 than \$8,000,000, the Secretary shall make the total
2 amount of the grant available to the grantee organi-
3 zation or consortia upon entering into the grant
4 agreement under subsection (i) and providing notice
5 under paragraph (3).

6 (2) 2-STEP DISBURSEMENT.—With respect to
7 the grant under subsection (a)(1) and any grant
8 under subsection (a)(2) in an amount equal to or ex-
9 ceeding \$8,000,000, the Secretary shall disburse the
10 grant amounts in 2 equal payments, as follows:

11 (A) INITIAL PAYMENT.—The first payment
12 shall be made available to the grantee organiza-
13 tion or consortia upon entering into the grant
14 agreement under subsection (i) and providing
15 notice under paragraph (3).

16 (B) FINAL PAYMENT.—The second pay-
17 ment shall be made available to the organiza-
18 tion or consortia subject to the following re-
19 quirements:

20 (i) NOTICE.—The amounts may not
21 be made available until 30 days after the
22 Secretary certifies to the applicable Com-
23 mittees that the grant amounts provided
24 under subparagraph (A) to the organiza-
25 tion or consortia have been used in accord-

1 ance with this section to develop the new
2 dwellings required under the grant agree-
3 ment.

4 (ii) FULFILLMENT OF GRANT AGREE-
5 MENT.—If the Secretary determines that
6 the organization or consortia has not, with-
7 in 24 months after amounts are first made
8 available under subparagraph (A) to the
9 organization or consortia, substantially ful-
10 filled the obligations under the grant
11 agreement, including development of the
12 appropriate number of dwellings under the
13 agreement, the Secretary shall use any
14 such undisbursed amounts remaining from
15 such grant for other grants in accordance
16 with this section.

17 (3) NOTIFICATION TO CONGRESS.—Notification
18 under this paragraph is written notification to the
19 applicable Committees of a grant, the amount of the
20 grant, and the terms of the grant agreement.

21 (4) FAILURE TO REPORT.—If at any time the
22 Secretary fails to report to the applicable Commit-
23 tees as required in this subsection, the Secretary
24 may not subsequently make any grant under this

1 section and may not subsequently disburse any
2 amounts under any grant previously made.

3 (k) RECORDS AND AUDITS.—During the period be-
4 ginning upon the making of a grant under this section
5 and ending upon close-out of the grant under subsection
6 (l)—

7 (1) the organization awarded the grant under
8 subsection (a)(1) or (a)(2) shall keep such records
9 and adopt such administrative practices as the Sec-
10 retary may require to ensure compliance with the
11 provisions of this section and the grant agreement;
12 and

13 (2) the Secretary and the Comptroller General
14 of the United States, and any of their duly author-
15 ized representatives, shall have access for the pur-
16 pose of audit and examination to any books, docu-
17 ments, papers, and records of the grantee organiza-
18 tion or consortia and its affiliates that are pertinent
19 to the grant made under this section.

20 (l) CLOSE-OUT.—

21 (1) IN GENERAL.—The Secretary shall close out
22 a grant made under this section upon determining
23 that the aggregate amount of any assistance pro-
24 vided from the fund established under subsection
25 (e)(1) by the grantee organization or consortium ex-

1 ceeds the amount of the grant. For purposes of this
2 paragraph, any interest, fees, and other earnings of
3 the fund shall be excluded from the amount of the
4 grant.

5 (2) EFFECT.—After such close-out, no grantee
6 organization or consortia, or its affiliates, may be re-
7 quired to comply with any provision of this section
8 or the grant agreement or to account to the Sec-
9 retary for use of grant amounts.

10 (m) ENVIRONMENTAL REVIEW.—A grant under this
11 section shall be considered to be funds for a special project
12 for purposes of section 305(c) of the Multifamily Housing
13 Property Disposition Reform Act of 1994.

14 (n) REPORT TO CONGRESS.—Not later than 90 days
15 after close-out of all grants under this section is com-
16 pleted, the Secretary shall submit a report to the applica-
17 ble Committees describing the grants made under this sec-
18 tion, the grantees, the housing developed in connection
19 with the grant amounts, and the purposes for which the
20 grant amounts were used.

21 (o) DEFINITIONS.—For purposes of this section, the
22 following definitions shall apply:

23 (1) APPLICABLE COMMITTEES.—The term “ap-
24 plicable Committees” means the Committee on
25 Banking and Financial Services of the House of

1 Representatives and the Committee on Banking,
2 Housing, and Urban Affairs of the Senate.

3 (2) SECRETARY.—The term “Secretary” means
4 the Secretary of Housing and Urban Development.

5 (3) UNITED STATES.—The term “United
6 States” includes the States of the United States, the
7 District of Columbia, the Commonwealth of Puerto
8 Rico, the Commonwealth of the Northern Mariana
9 Islands, Guam, the Virgin Islands, American Samoa,
10 and any other territory or possession of the United
11 States.

12 (p) FUNDING.—Of any amounts previously made
13 available for annual contributions for assisted housing,
14 \$50,000,000 shall be used by the Secretary to carry out
15 this section, subject to existing laws and rules governing
16 reprogramming of amounts. Any such amounts shall re-
17 main available for such purposes until expended.

18 (q) REGULATIONS.—The Secretary shall issue any
19 final regulations necessary to carry out this section not
20 later than 30 days after the date of the enactment of this
21 Act. The regulations shall take effect upon issuance and
22 may not exceed, in length, 5 full pages in the Federal Reg-
23 ister.

1 **SEC. 3. EXTENSION OF MULTIFAMILY RURAL HOUSING**
2 **LOAN PROGRAM.**

3 (a) **AUTHORITY TO MAKE LOANS.**—Section
4 515(b)(4) of the Housing Act of 1949 (42 U.S.C.
5 1485(b)(4)) is amended by striking “September 30, 1994”
6 and inserting “September 30, 1996”.

7 (b) **SET-ASIDE FOR NONPROFIT ENTITIES.**—The
8 first sentence of section 515(w)(1) of the Housing Act of
9 1949 is amended by striking “fiscal years 1993 and 1994”
10 and inserting “fiscal year 1996”.

11 **SEC. 4. REFORMS FOR MULTIFAMILY RURAL HOUSING**
12 **LOAN PROGRAM.**

13 (a) **LIMITATION ON PROJECT TRANSFERS.**—Section
14 515 of the Housing Act of 1949 (42 U.S.C. 1485) is
15 amended by inserting after subsection (g) the following
16 new subsection:

17 “(h) **PROJECT TRANSFERS.**—After the date of the
18 enactment of the Homesteading and Neighborhood Res-
19 toration Act of 1995, any interest in the ownership of a
20 project for which a loan is made or insured under this
21 section may be transferred only if the Secretary deter-
22 mines that such transfer would be in the best interests
23 of the tenants of the housing for which the loan was made
24 or insured and of the Federal Government.”.

25 (b) **EQUITY LOANS.**—Section 515(t) of the Housing
26 Act of 1949 is amended—

1 (1) by striking paragraphs (4) and (5); and

2 (2) by redesignating paragraphs (6) through
3 (8) as paragraphs (4) through (6), respectively.

4 (c) REPEAL OF PROHIBITIONS.—Section 515 of the
5 Housing Act of 1949 is amended by striking subsection
6 (z).

7 (d) LOCATION OF PROJECTS.—Section 532 of the
8 Housing Act of 1949 (42 U.S.C. 1490l) is amended—

9 (1) in subsection (a), by inserting “other than
10 assistance under section 515” after “in making as-
11 sistance”; and

12 (2) by adding at the end the following new sub-
13 section:

14 “(c) ALLOCATION OF SECTION 515 LOANS.—

15 “(1) PROCEDURE.—The Secretary shall make
16 assistance under section 515 available pursuant to
17 an objective procedure established by the Secretary,
18 under which the Secretary shall identify counties
19 and communities having the greatest need for such
20 assistance and designate such counties and commu-
21 nities to receive such assistance. Under such proce-
22 dure, the Secretary shall use objective measures to
23 determine the need for rental housing assistance,
24 which may include the incidence of poverty, sub-
25 standard housing, lack of mortgage credit, lack or

1 insufficient amount of affordable housing, and other
2 factors demonstrating a need for affordable housing.

3 “(2) INFORMATION.—The Secretary shall use
4 information from the decennial censuses of the
5 United States, relevant comprehensive affordable
6 housing strategies under section 105 of the Cran-
7 ston-Gonzalez National Affordable Housing Act, and
8 other reliable sources obtained by the Secretary
9 which demonstrate the need for affordable rental
10 housing in rural areas.

11 “(3) DESIGNATION.—A designation under para-
12 graph (1) shall not be effective for a period of more
13 than 3 years, but may be renewed by the Secretary
14 under the procedure under paragraph (1). The Sec-
15 retary shall cause to be published in the Federal
16 Register a list of areas designated under paragraph
17 (1) and a reasonable timetable for submission of
18 preapplications. The Secretary shall take such other
19 reasonable actions as the Secretary considers appro-
20 priate to notify the public of such designations.”.

21 (e) EQUITY TAKEOUT LOANS TO EXTEND LOW-IN-
22 COME USE.—

23 (1) AUTHORITY AND LIMITATION.—Section
24 502(c)(4)(B)(iv) of the Housing Act of 1949 (42
25 U.S.C. 1472(c)(4)(B)(iv)) is amended by inserting

1 before the period at the end the following: “or under
2 paragraphs (1) and (2) of section 514(j), except that
3 an equity loan referred to in this clause may not be
4 made available after the date of the enactment of
5 the Homesteading and Neighborhood Restoration
6 Act of 1995 unless the Secretary determines that
7 the other incentives available under this subpara-
8 graph are not adequate to provide a fair return on
9 the investment of the borrower, to prevent prepay-
10 ment of the loan insured under section 514 or 515,
11 or to prevent the displacement of tenants of the
12 housing for which the loan was made”.

13 (2) APPROVAL OF ASSISTANCE.—Subparagraph
14 (C) of section 502(c)(4) of the Housing Act of 1949
15 is amended by striking the matter preceding clause
16 (i) and inserting the following:

17 “(C) APPROVAL OF ASSISTANCE.—The Secretary
18 may approve assistance under subparagraph (B) for as-
19 sisted housing only if the restrictive period has expired for
20 any loan for the housing made or insured under section
21 514 or 515 pursuant to a contract entered into after De-
22 cember 21, 1979, but before the date of the enactment
23 of the Department of Housing and Urban Development
24 Reform Act of 1989, and the Secretary determines that
25 the combination of assistance provided—”.

1 (3) TECHNICAL CORRECTION.—Section
 2 515(c)(1) of the Housing Act of 1949 (42 U.S.C.
 3 1485(c)(1)) is amended by striking “December 21,
 4 1979” and inserting “December 15, 1989”.

5 **SEC. 5. LOAN GUARANTEES FOR MULTIFAMILY RENTAL**
 6 **HOUSING IN RURAL AREAS.**

7 (a) IN GENERAL.—Title V of the Housing Act of
 8 1949 (42 U.S.C. 1471 et seq.) is amended by inserting
 9 after section 537 the following new section:

10 **“SEC. 538. LOAN GUARANTEES FOR MULTIFAMILY RENTAL**
 11 **HOUSING IN RURAL AREAS.**

12 “(a) AUTHORITY.—The Secretary may make commit-
 13 ments to guarantee eligible loans for the development costs
 14 of eligible housing and related facilities, and may guaran-
 15 tee such eligible loans, in accordance with this section.

16 “(b) EXTENT OF GUARANTEE.—A guarantee made
 17 under this section shall guarantee repayment of an
 18 amount not exceeding the total of the amount of the un-
 19 paid principal and interest of the loan for which the guar-
 20 antee is made. The liability of the United States under
 21 any guarantee under this section shall decrease or increase
 22 pro rata with any decrease or increase of the amount of
 23 the unpaid portion of the obligation.

24 “(c) ELIGIBLE BORROWERS.—A loan guaranteed
 25 under this section may be made to a nonprofit organiza-

1 tion, an agency or body of any State government or politi-
2 cal subdivision thereof, or a private entity.

3 “(d) ELIGIBLE HOUSING.—A loan may be guaran-
4 teed under this section only if the loan is used for the
5 development costs of housing and related facilities (as
6 such terms are defined in section 515(e)) that—

7 “(1) consists of 5 or more adequate dwellings;

8 “(2) is available for occupancy only by low or
9 moderate income families or persons, whose incomes
10 at the time of initial occupancy do not exceed 115
11 percent of the median income of the area, as deter-
12 mined by the Secretary;

13 “(3) will remain available as provided in para-
14 graph (2), according to such binding commitments
15 as the Secretary may require, for the period of the
16 original term of the loan guaranteed, unless the
17 housing is acquired by foreclosure (or instrument in
18 lieu of foreclosure) or the Secretary waives the appli-
19 cability of such requirement for the loan only after
20 determining, based on objective information, that—

21 “(A) there is no longer a need for low- and
22 moderate-income housing in the market area in
23 which the housing is located;

1 “(B) housing opportunities for low-income
2 households and minorities will not be reduced
3 as a result of the waiver; and

4 “(C) additional Federal assistance will not
5 be necessary as a result of the waiver; and

6 “(4) is located in a rural area.

7 “(e) ELIGIBLE LENDERS.—

8 “(1) REQUIREMENT.—A loan may be guaran-
9 teed under this section only if the loan is made by
10 a lender that the Secretary determines—

11 “(A) meets the qualifications, and has been
12 approved by the Secretary of Housing and
13 Urban Development, to make loans for multi-
14 family housing that are to be insured under the
15 National Housing Act;

16 “(B) meets the qualifications, and has
17 been approved by the Federal National Mort-
18 gage Association and the Federal Home Loan
19 Mortgage Corporation, to make loans for multi-
20 family housing that are to be sold to such cor-
21 porations; or

22 “(C) meets any qualifications that the Sec-
23 retary may, by regulation, establish for partici-
24 pation of lenders in the loan guarantee program
25 under this section.

1 “(2) ELIGIBILITY LIST AND ANNUAL AUDIT.—

2 The Secretary shall establish a list of eligible lenders
3 and shall annually conduct an audit of each lender
4 included in the list for purposes of determining
5 whether such lender continues to be an eligible lender.
6 er.

7 “(f) LOAN TERMS.—Each loan guaranteed pursuant
8 to this section shall—

9 “(1) provide for complete amortization by periodic
10 payments to be made for a term not to exceed
11 40 years;

12 “(2) involve a rate of interest agreed upon by
13 the borrower and the lender that does not exceed the
14 maximum allowable rate established by the Secretary
15 for purposes of this section and is fixed over the
16 term of the loan;

17 “(3) involve a principal obligation (including
18 initial service charges, appraisal, inspection, and
19 other fees as the Secretary may approve) not to exceed—
20

21 “(A) in the case of a borrower that is a
22 nonprofit organization or an agency or body of
23 any State or local government, 97 percent of
24 the development costs of the housing and relat-

1 ed facilities or the value of the housing and fa-
2 cilities, whichever is less;

3 “(B) in the case of a borrower that is a
4 for-profit entity not referred to in subparagraph
5 (A), 90 percent of the development costs of the
6 housing and related facilities or the value of the
7 housing and facilities, whichever is less; and

8 “(C) in the case of any borrower, for such
9 part of the property as may be attributable to
10 dwelling use, the applicable maximum per unit
11 dollar amount limitations under section 207(c)
12 of the National Housing Act;

13 “(4) be secured by a first mortgage on the
14 housing and related facilities for which the loan is
15 made, or otherwise, as the Secretary may determine
16 necessary to ensure repayment of the obligation; and

17 “(5) for at least 20 percent of the loans made
18 under this section, the Secretary shall provide the
19 borrower with assistance in the form of credits pur-
20 suant to section 521(a)(1)(B) to the extent nec-
21 essary to reduce the rate of interest under para-
22 graph (2) to the applicable Federal rate, as such
23 term is used in section 42(i)(2)(D) of the Internal
24 Revenue Code of 1986.

1 “(g) GUARANTEE FEE.—At the time of issuance of
2 a loan guaranteed under this section, the Secretary may
3 collect from the lender a fee equal to not more than 1
4 percent of the principal obligation of the loan.

5 “(h) AUTHORITY FOR LENDERS TO ISSUE CERTIFI-
6 CATES OF GUARANTEE.—The Secretary may authorize
7 certain eligible lenders to determine whether a loan meets
8 the requirements for guarantee under this section and,
9 subject to the availability of authority to enter into guar-
10 antees under this section, execute a firm commitment for
11 a guarantee binding upon the Secretary and issue a certifi-
12 cate of guarantee evidencing a guarantee, without review
13 and approval by the Secretary of the specific loan. The
14 Secretary may establish standards for approving eligible
15 lenders for a delegation of authority under this subsection.

16 “(i) PAYMENT UNDER GUARANTEE.—

17 “(1) NOTICE OF DEFAULT.—In the event of de-
18 fault by the borrower on a loan guaranteed under
19 this section, the holder of the guarantee certificate
20 for the loan shall provide written notice of the de-
21 fault to the Secretary.

22 “(2) FORECLOSURE.—After receiving notice
23 under paragraph (1) and providing written notice of
24 action under this paragraph to the Secretary, the
25 holder of the guarantee certificate for the loan may

1 initiate foreclosure proceedings for the loan in a
2 court of competent jurisdiction, in accordance with
3 regulations issued by the Secretary, to obtain posses-
4 sion of the security property. After the court issues
5 a final order authorizing foreclosure on the property,
6 the holder of the certificate shall be entitled to pay-
7 ment by the Secretary under the guarantee (in the
8 amount provided under subsection (b)) upon (A)
9 conveyance to the Secretary of title to the security
10 property, (B) submission to the Secretary of a claim
11 for payment under the guarantee, and (C) assign-
12 ment to the Secretary of all the claims of the holder
13 of the guarantee against the borrower or others aris-
14 ing out of the loan transaction or foreclosure pro-
15 ceedings, except claims released with the consent of
16 the Secretary.

17 “(3) ASSIGNMENT BY SECRETARY.—After re-
18 ceiving notice under paragraph (1), the Secretary
19 may accept assignment of the loan if the Secretary
20 determines that the assignment is in the best inter-
21 ests of the United States. Assignment of a loan
22 under this paragraph shall include conveyance to the
23 Secretary of title to the security property, assign-
24 ment to the Secretary of all rights and interests
25 arising under the loan, and assignment to the Sec-

1 retary of all claims against the borrower or others
2 arising out of the loan transaction. Upon assignment
3 of a loan under this paragraph, the holder of a guar-
4 antee certificate for the loan shall be entitled to pay-
5 ment by the Secretary under the guarantee (in the
6 amount provided under subsection (b)).

7 “(4) REQUIREMENTS.—Before any payment
8 under a guarantee is made under paragraph (2) or
9 (3), the holder of the guarantee certificate shall ex-
10 haust all reasonable possibilities of collection on the
11 loan guaranteed. Upon payment, in whole or in part,
12 to the holder, the note or judgment evidencing the
13 debt shall be assigned to the United States and the
14 holder shall have no further claim against the bor-
15 rower or the United States. The Secretary shall then
16 take such action to collect as the Secretary deter-
17 mines appropriate.

18 “(j) VIOLATION OF GUARANTEE REQUIREMENTS BY
19 LENDERS ISSUING GUARANTEES.—

20 “(1) INDEMNIFICATION.—If the Secretary de-
21 termines that a loan guaranteed by an eligible lender
22 pursuant to delegation of authority under subsection
23 (h) was not originated in accordance with the re-
24 quirements under this section and the Secretary
25 pays a claim under the guarantee for the loan, the

1 Secretary may require the eligible lender authorized
2 under subsection (h) to issue the guarantee certifi-
3 cate for the loan—

4 “(A) to indemnify the Secretary for the
5 loss, if the payment under the guarantee was
6 made within a reasonable period specified by
7 the Secretary; or

8 “(B) to indemnify the Secretary for the
9 loss regardless of when payment under the
10 guarantee was made, if the Secretary deter-
11 mines that fraud or misrepresentation was in-
12 volved in connection with the origination of the
13 loan.

14 “(2) TERMINATION OF AUTHORITY TO ISSUE
15 GUARANTEES.—The Secretary may cancel a delega-
16 tion of authority under subsection (h) to an eligible
17 lender if the Secretary determines that the lender
18 has violated the requirements and procedures for
19 guaranteed loans under this section or for other
20 good cause. Any such cancellation shall be made by
21 giving notice to the eligible lender and shall take ef-
22 fect upon receipt of the notice by the mortgagee or
23 at a later date, as the Secretary may provide. A de-
24 cision by the Secretary to cancel a delegation shall

1 be final and conclusive and shall not be subject to
2 judicial review.

3 “(k) REFINANCING.—Any loan guaranteed under this
4 section may be refinanced and extended in accordance
5 with terms and conditions that the Secretary shall pre-
6 scribe, but in no event for an additional amount or term
7 that exceeds the limitations under subsection (f).

8 “(l) NONASSUMPTION.—The borrower under a loan
9 that is guaranteed under this section and under which any
10 portion of the principal obligation or interest remains out-
11 standing may not be relieved of liability with respect to
12 the loan, notwithstanding the transfer of property for
13 which the loan was made.

14 “(m) GEOGRAPHICAL TARGETING.—

15 “(1) STUDY.—The Secretary shall provide for
16 an independent entity to conduct a study to deter-
17 mine the extent to which borrowers in the United
18 States will utilize loan guarantees under this section,
19 the rural areas in the United States in which bor-
20 rowers can best utilize and most need loans guaran-
21 teed under this section, and the rural areas in the
22 United States in which housing of the type eligible
23 for a loan guarantee under this section is most need-
24 ed by low- and moderate-income families. The Sec-
25 retary shall require the independent entity conduct-

1 ing the study to submit a report to the Secretary
2 and to the Congress describing the results of the
3 study not later than the expiration of the 90-day pe-
4 riod beginning on the date of the enactment of the
5 Homesteading and Neighborhood Restoration Act of
6 1995.

7 “(2) TARGETING.—In providing loan guaran-
8 tees under this section, the Secretary shall establish
9 standards to target and give priority to rural areas
10 in which borrowers can best utilize and most need
11 loans guaranteed under this section, as determined
12 by the Secretary based on the results of the study
13 under paragraph (1) and any other information the
14 Secretary considers appropriate.

15 “(n) INAPPLICABILITY OF CREDIT-ELSEWHERE
16 TEST.—Section 501(c) shall not apply to guarantees, or
17 loans guaranteed, under this section.

18 “(o) TENANT PROTECTIONS.—The Secretary shall
19 establish standards for the treatment of tenants of hous-
20 ing developed using amounts from a loan guaranteed
21 under this section, which shall incorporate, to the extent
22 applicable, existing standards applicable to tenants of
23 housing developed with loans made under section 515.
24 Such standards shall include standards for fair housing

1 and equal opportunity, lease and grievance procedures,
2 and tenant appeals of adverse actions.

3 “(p) HOUSING STANDARDS.—The standards estab-
4 lished under section 515(m) for housing and related facili-
5 ties assisted under section 515 shall apply to housing and
6 related facilities the development costs of which are fi-
7 nanced in whole or in part with a loan guaranteed under
8 this section.

9 “(q) LIMITATION ON COMMITMENTS TO GUARANTEE
10 LOANS.—

11 “(1) REQUIREMENT OF APPROPRIATIONS FOR
12 COST SUBSIDY.—The authority of the Secretary to
13 enter into commitments to guarantee loans under
14 this section, and to guarantee loans, shall be effec-
15 tive for each fiscal year only to the extent that ap-
16 propriations of budget authority to cover the costs
17 (as such term is defined in section 502 of the Con-
18 gressional Budget Act of 1974) of the guarantees
19 are made in advance for such fiscal year.

20 “(2) ANNUAL LIMITATION ON AMOUNT OF
21 LOAN GUARANTEES.—In fiscal year 1996, the Sec-
22 retary may enter into commitments to guarantee
23 loans under this section only to the extent that the
24 costs of the guarantees entered into in such fiscal
25 year do not exceed \$1,000,000.

1 “(r) REPORT.—

2 “(1) IN GENERAL.—The Secretary shall submit
3 a report to the Congress, not later than the expira-
4 tion of the 2-year period beginning on the date of
5 the enactment of the Homesteading and Neighbor-
6 hood Restoration Act of 1995, describing the pro-
7 gram under this section for guaranteeing loans.

8 “(2) CONTENTS.—The report shall—

9 “(A) describe the types of borrowers pro-
10 viding housing with loans guaranteed under this
11 section, the areas served by the housing pro-
12 vided and the geographical distribution of the
13 housing, the levels of income of the residents of
14 the housing, the number of dwelling units pro-
15 vided, the extent to which borrowers under such
16 loans have obtained other financial assistance
17 for development costs of housing provided with
18 the loans, and the extent to which borrowers
19 under such loans have used low-income housing
20 tax credits provided under section 42 of the In-
21 ternal Revenue Code of 1986 in connection with
22 the housing provided with the loans;

23 “(B) analyze the financial viability of the
24 housing provided with loans guaranteed under

1 this section and the need for project-based rent-
2 al assistance for such housing;

3 “(C) include any recommendations of the
4 Secretary for expanding or improving the pro-
5 gram under this section for guaranteeing loans;
6 and

7 “(D) include any other information regard-
8 ing the program for guaranteeing loans under
9 this section that the Secretary considers appro-
10 prium.

11 “(s) DEFINITIONS.—For purposes of this section, the
12 following definitions shall apply:

13 “(1) The term ‘development cost’ has the mean-
14 ing given the term in section 515(e).

15 “(2) The term ‘eligible lender’ means a lender
16 determined by the Secretary to meet the require-
17 ments of subparagraph (A), (B), (C), or (D) of sub-
18 section (e)(1).

19 “(3) The terms ‘housing’ and ‘related facilities’
20 have the meanings given such terms in section
21 515(e).

22 “(t) AUTHORIZATION OF APPROPRIATIONS.—There
23 is authorized to be appropriated for fiscal year 1996
24 \$1,000,000 for costs (as such term is defined in section

1 502 of the Congressional Budget Act of 1974) of loan
 2 guarantees made under this section.

3 “(u) TERMINATION DATE.—A loan may not be guar-
 4 anteed under this section after September 30, 1996.”.

5 (b) EFFECT OF AUTHORIZING LEGISLATION.—The
 6 enactment of this section shall be considered the enact-
 7 ment of authorizing legislation referred to in the 3d undes-
 8 ignated paragraph under the head “RURAL HOUSING AND
 9 COMMUNITY DEVELOPMENT SERVICE—RURAL HOUSING
 10 INSURANCE FUND PROGRAM ACCOUNT” in title III of the
 11 Agriculture, Rural Development, Food and Drug Adminis-
 12 tration, and Related Agencies Appropriations Act, 1996
 13 (Public Law 104–37; 109 Stat. 299 et seq.; approved Oc-
 14 tober 21, 1995).

Passed the House of Representatives October 30,
 1995.

Attest:

Clerk.